

Message Text

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ACTION STR-04

INFO OCT-01 OIC-02 IO-13 ISO-00 STRE-00 INRE-00 SSO-00

NSCE-00 USIE-00 AGRE-00 AF-08 ARA-06 EA-07 EUR-12

NEA-10 FEA-01 AGR-05 CEA-01 CIAE-00 COME-00 DODE-00

EB-07 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04 NSAE-00

NSC-05 PA-01 AID-05 CIEP-01 SS-15 ITC-01 TRSE-00

PRS-01 SP-02 OMB-01 /133 W
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O R 241608Z SEP 76

FM USDEL MTN GENEVA

TO SECSTATE WASHDC IMMEDIATE 1901

INFO USMISSION OECD PARIS

LIMITED OFFICIAL USE SECTION 1 OF 2 MTN GENEVA 7467

ACTION STR

E.O. 11652: N/A

TAGS: ETRD, CIEC, MTN

SUBJ: CIEC AND THE MTN

1. MTN DEL AWARE OF IMPORTANCE U.S. ATTACHES TO NORTH-SOUTH DIALOGUE AND CIEC ROLE IN THAT PROCESS. TRADE ISSUES, AND THE MTN IN PARTICULAR, HAVE NOT BEEN A FOCUS OF ATTENTION IN CIEC THUS FAR. THIS SEPARATION ACCORDS WITH U.S. INTEREST AND THE PURPOSE OF THIS MESSAGE, THEREFORE, IS NOT TO DRAW ATTENTION TO MTN IN CIEC CONTEXT. NEVERTHELESS, WE APPRECIATE THE DIFFICULTIES WHICH CIEC NEGOTIATORS WILL FACE IN TRYING TO BRING ABOUT A SUCCESSFUL CIEC CONCLUSION AND RECOGNIZE THE TEMPTATION TO INTRODUCE MTN ISSUES, EITHER ON OUR OWN INITIATIVE OR AT THE BEHEST OF OTHERS, IN THE WIND-UP EFFORT. CONSEQUENTLY, THIS MESSAGE INTENDED TO OFFER SUGGESTIONS

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TO U.S. INTERAGENCY CIEC TEAM ON HOW TO DEAL WITH THIS

CONTINGENCY.

2. AMONG THE MORE LIKELY WAYS WE THINK TRADE AND MTN ISSUES COULD ARISE IN CIEC ARE THE FOLLOWING:

(A) IN THE WIND-UP PHASE, G-19 MAY RECALL THAT CIEC WAS SUPPOSED TO ENERGIZE ONGOING WORK IN OTHER FORA AND A PROPOSAL IS ADVANCED TO ENERGIZE THE MTN;

(B) EITHER AS PART OF (A) ABOVE OR SEPARATELY, G-19 BEGINS TO PRESS G-8 TO ENDORSE SOME OR ALL LDC POSITIONS CONTAINED IN PART B OF UNCTAD (NAIROBI) RESOLUTION 91(IV); OR

(C) THE U.S. AND/OR G-8 ARE UNDER PRESSURE FOR ADDITIONAL "CONCESSIONS" IN A DIFFERENT FIELD IN ORDER TO SECURE AN ACCEPTABLE OUTCOME ON A MAIN OBJECTIVE OF CIEC AND THE QUESTION ARISES CAN ANYTHING BE SAID ABOUT TRADE OR MTN. PARAS 4-7 BELOW ARE ADDRESSED TO THESE THREE POSSIBLE POSITIONS.

3. BEFORE ADDRESSING THE SPECIFIC ISSUES, HOWEVER, WE CALL ATTENTION GENERALLY TO THE ENHANCED ROLE OF CONGRESSIONAL AND PRIVATE SECTORS CONSULTATIONS IN THE DEVELOPMENT AND IMPLEMENTATION OF MTN POLICY. THIS IS IMPORTANT IN TWO RESPECTS. FIRST, THE ADMINISTRATION IS COMMITTED TO A COURSE OF DEALING WITH THE LEADERSHIP OF THE SENATE FINANCE COMMITTEE AND THE HOUSE WAYS AND MEANS COMMITTEE WHICH INCLUDES A DIALOGUE ON THE DESIRABILITY OF PARTICULAR POLICY OPTIONS BEFORE DECISIONS ARE TAKEN AS WELL AS ADVANCE NOTICE OF POSITIONS WE DECIDE TO TAKE. THE SAME IS TRUE WITH THE MEMBERSHIP OF THE 45 PRIVATE SECTOR ADVISORY BODIES WITH WHOM STR DEALS. INCLUDING THIS RANGE OF ACTORS IN USG DELIBERATIONS OF CIEC-MTN TRADEOFFS IS PROBABLY IMPRACTICAL; BUT OFFERING ANY MAJOR MTN CONCESSION -- IN CIEC OR ELSEWHERE -- WITHOUT SUCH CONSULTATIONS RISKS SERIOUSLY DAMAGING THE CONSENSUAL UNDERPINNING FOR US MTN POLICY. SECOND, U.S. POLICY OF ADVOCATING SPECIAL AND DIFFERENTIAL TREATMENT FOR LDC'S IN THE MTN HAS BEEN EXPLAINED -- AND WE BELIEVE LIMITED OFFICIAL USE

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GENERALLY ACCEPTED, BOTH BY THE CONGRESSIONAL COMMITTEES AND OUR PRIVATE SECTOR ADVISORS -- WITH THE CAVEAT THAT U.S. IS SEEKING SPECIFIC AND CONCRETE LDC CONTRIBUTIONS IN RETURN FOR U.S. CONCESSIONS -- NOT TOTAL RECIPROCITY, BUT IDENTIFIABLE LDC QUOS FOR U.S. QUIDS. A CIEC COMMITMENT TO MTN CONCESSIONS -- WHICH WOULD NOT, OF COURSE, INVOLVE SPECIFIC LDC CONCESSIONS -- COULD UNDERMINE SUPPORT FOR U.S. POLICY OF SUPPORTING S AND D FOR LDC'S

IN THE MTN AND CAST DOUBT ON OUR ABILITY TO DELIVER ON
SUCH A COMMITMENT.

4. ENERGIZING THE MTN. HORTATORY LANGUAGE URGING OR
PLEDGING SUPPORT FOR ACCELERATION OF MTN IS ACCEPTABLE.
IT COULD EVEN BE HELPFUL IF IT CREATES PRESSURE AIMED AT
COMPLETING THE NEGOTIATIONS DURING 1977 AND PROVIDED IT
IS KEPT AT RATHER GENERAL LEVEL. IT IS NOT ESSENTIAL
THAT THE LANGUAGE BE BALANCED IN TERMS OF DEVELOPED AND
DEVELOPING COUNTRIES' INTERESTS, E.G., WE THINK IT WOULD
BE ACCEPTABLE TO HAVE CIEC URGE AN ACCELERATION OF NEGOTIATIONS IN THE MTN "IN ORDER TO BRING THEM TO A SUCCESSFUL CONCLUSION IN 1977 BECAUSE LIBERALIZATION OF TARIFF AND NON-TARIFF BARRIERS TO TRADE CAN MAKE A MAJOR CONTRIBUTION TO EXPANSION OF DEVELOPING COUNTRIES' EXPORT EARNINGS, HELP THE PROCESS OF INDUSTRIALIZATION AND DIVERSIFICATION, ETC.".

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FM USDEL MTN GENEVA

TO SECSTATE WASHDC IMMEDIATE 1902

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5. PRESSURE TO ENDORSE SOME OR ALL OF LDC REQUESTS ABOUT TRADE AND MTN AS REFLECTED IN SECTION B OF UNCTAD RESOLUTION 91(IV). WE HOPE THIS WON'T ARISE BECAUSE THERE IS SO LITTLE IN THE UNCTAD TEXT WE CAN ACCEPT. MORE IMPORTANTLY, THERE IS LITTLE WE COULD IN FACT DELIVER. CONGRESSIONAL APPROVAL IS REQUIRED FOR MOST ACTION SOUGHT BY LDC'S AND THE CONCERNS SET OUT IN PARA 3 COME INTO PLAY ON THESE ITEMS. IF THE UNCTAD RESOLUTION DOES ARISE, WE RECOMMEND INITIALLY TRYING TO DEFLECT IT BY INSISTING THAT IT IS TOO TECHNICAL FOR CIEC CONSIDERATION, OR THAT INSUFFICIENT TIME EXISTS TO GIVE IT THE DETAILED CONSIDERATION IT WOULD REQUIRE, OR CITE THE SPECIAL U.S. CONSTITUTIONAL PROBLEM IN TRADE FIELD. IF THIS DOESN'T WORK, U.S. MIGHT OFFER VERY POSITIVE "ENERGIZING" LANGUAGE OF THE KIND SUGGESTED IN PRECEDING PARA. LEAST DESIRABLE COURSE OF ACTION WOULD BE TO ENGAGE IN A DRAFTING EXERCISE ON UNCTAD LIMITED OFFICIAL USE

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RESOLUTION ITEMS. SHOULD THIS COME TO PASS, U.S. SHOULD STICK TO RELEVANT FORMULATIONS OF THE AGREED TOKYO DECLARATION LAUNCHING MTN IN SEPTEMBER 1973 AND AGREE ONLY TO "TAKE NOTE OF" OR "RE-EXAMINE" LDC REQUESTS GOING BEYOND TOKYO COMMITMENTS.

6. PRESSURE TO GIVE SOMETHING IN TRADE/MTN FIELD TO GET SOMETHING IN ANOTHER CIEC FIELD. THIS IS OBVIOUSLY THE MOST DISAGREEABLE SCENARIO AND WILL PRESUMABLY ARISE -- IF AT ALL -- ONLY IN A CRISIS CONTEXT. US MTN DEL CANNOT AND DOES NOT ASSERT THAT TRADE POLICY AND/OR THE MTN MUST BE EXEMPT IF U.S. MUST FIND SOME SWEETENERS TO FORESTALL A CIEC COLLAPSE. WE DO, HOWEVER, WISH TO UNDERLINE THE IMPORTANCE OF AVOIDING UNQUALIFIED COMMITMENTS WHICH ARE LIKELY TO BACKFIRE. THERE IS IN FACT ALMOST NOTHING THE EXECUTIVE BRANCH CAN COMMIT IN THE TRADE FIELD WITHOUT PRIOR CONGRESSIONAL AND PRIVATE SECTOR CONSULTATION AND SUPPORT. CONSEQUENTLY, U.S. IS NOT ABLE TO OFFER SOMETHING GENUINELY NEW OR SIGNIFICANT IN TRADE FIELD BUT CAN ONLY SEARCH FOR NEW LANGUAGE TO "RE-PACKAGE" EXISTING COMMITMENTS OR POLICY POSITIONS ALREADY ARTICULATED ELSEWHERE. PRIME SOURCE MATERIAL IS TEXT OF TOKYO DECLARATION PLUS EXAMPLES OF SPECIFIC U.S. INITIATIVES IN MTN (CLEARED THROUGH U.S. DOMESTIC PROCEDURES) OF PARTICULAR BENEFIT TO LDC'S. THESE INCLUDE A WILLINGNESS TO CONSIDER DEEPER THAN FORMULA TARIFF REDUCTIONS AND FASTER OR SLOWER STAGING OF TARIFF CUTS ON PRODUCTS OF INTEREST TO LDC'S, AND POTENTIAL SPECIAL AND DIFFERENTIAL TREATMENT FOR LDC'S, IN THE CONTEXT OF CODES ON MAJOR NON-TARIFF MEASURES WHICH ARE BEING NEGOTIATED. IT IS

POSSIBLE G-19 MIGHT CONSIDER A U.S. OR G-8 OFFER TO INCLUDE SOME LANGUAGE IN CIEC ON THESE POINTS AS A USEFUL CONCESSION SINCE CIEC ENDORSEMENT WOULD FURTHER COMMIT GOVERNMENTS TO THESE INITIATIVES AIMED AT AFFORDING SPECIAL BENEFITS TO LDC'S.

7. WE WOULD LIKE TO CAUTION AGAINST ANY TEMPTATION TO TRY TO UTILIZE CIEC AS A FORUM TO SECURE A BALANCED PACKAGE OF CONCESSIONS IN TRADE POLICY FIELD, E.G., BY OFFERING SOMETHING OF THE KIND SUGGESTED IN PARA 6 ABOVE LIMITED OFFICIAL USE

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BUT CONDITIONING IT ON G-19 ACCEPTANCE OF SOME OF THE THINGS WE ARE ATTEMPTING TO SECURE FROM THE LDC'S IN MTN (SUCH AS THE "GRADUATION" CONCEPT). WE DOUBT VERY MUCH THAT G-19 WOULD ACCEPT WITHOUT A SUBSTANTIAL RAISING OF THE TRADE POLICY STAKES ON THEIR SIDE, AND THEIR REFUSAL AS WELL AS THE NEGOTIATING PROCESS LEADING UP TO IT MIGHT COMPLICATE OUR ABILITY TO OBTAIN SOMETHING OF THIS KIND IN MTN CONTEXT.

8. WE WOULD WELCOME ANY CIEC TEAM REACTIONS TO THESE THOUGHTS AS WELL AS THE OPPORTUNITY TO CONTINUE DIALOGUE ON CIEC-MTN ISSUES AS APPROPRIATE.WALKER

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